

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2589 - SB 2633

June 3, 2020

SUMMARY OF ORIGINAL BILL: Changes, from \$10,000 to \$25,000, the amount for which a local board of education or governing body of a public charter school must make purchases or expenditures by competitive bids if an LEA chooses not to follow the local governing body's purchasing procedures. Requires the amounts for purchases and expenditures that must be made by competitive bids to be increased each year by the greater of two percent or the rate of inflation beginning in FY20-21. Requires the resulting amount to be rounded to the nearest one hundred dollars. Requires the Comptroller of the Treasury (COT) to calculate the amount of the required increase and notify the Department of Education (DOE) of the increase. Requires DOE to post the increase and increased amount on DOE's website.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Expenditures - Exceeds \$5,700/FY20-21 and Subsequent Years

SUMMARY OF AMENDMENT (017868): Deletes and adds language to the original bill such that the only substantive changes are to: 1) establish that counties that have adopted the County Financial Management System of 1981, the County Purchasing Law of 1957, or that are similarly centralized for purchasing under a private act, are deemed to have a full-time purchasing agent; and 2) change the effective date from July 1, 2020, to August 1, 2020.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Local boards of education and governing bodies of public charter schools are currently required to make procurement through competitive bids for purchases or expenditures at \$10,000 or greater.
- Adjusting the threshold for competitive bids does not change the process that is already in place and will not require any additional resources; therefore, any impact to the operations of local boards of education or local governing bodies of public charter schools is estimated to be not significant.

- Competitive bids of \$10,000 or more are required to be solicited through advertisement in a newspaper of general circulation. Increasing that threshold will lead to fewer required newspaper advertisements.
- Based on responses to the 2017 Local Government Survey conducted by the Fiscal Review Committee staff, participating local government officials reported the average cost for a newspaper notification is \$114.
- The total decrease in required newspaper publications is unknown but reasonably estimated to exceed 50 statewide per year.
- A total recurring decrease in local government expenditures exceeding \$5,700 (\$114 x 50) beginning in FY20-21.
- No significant impact to DOE or COT.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/alh